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UNCLAS SECTION 01 OF 02 AMMAN 004297

SIPDIS

SENSITIVE

STATE PASS TO USTR

E.O. 12958: N/A

TAGS: ETRD PREL KTIA BEXP JO

SUBJECT: NEW CARS REMOVED FROM DAMAN INSPECTION PROGRAM

REF: A. AMMAN 2850

1B. 04 USDOC 05774

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¶1. (SBU) SUMMARY: A Jordan standards official announced May 31 the immediate removal of new passenger vehicles from the list of products covered by its DAMAN product conformity program, a story covered by most of Jordan's Arabic-language dailies on June 1. This is the first in what post expects to be a series of GOJ moves to address USG concerns (Ref B) and dismantle trade barriers raised by the DAMAN program. It appears that GOJ words are finally turning into deeds, though a review of the fine print is in order. Minister of Industry and Trade Sharif Zu'bi is directly responsible for ordering this rapid action, just a sampling of the private-sector oriented, market-based reforms he is attempting to bring to the trade ministry and to the investment climate in Jordan. The announcement is a breath of fresh air from a new government committed to decisive action on USG concerns that former governments only acknowledged. END SUMMARY.

Used Cars Still Covered

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¶2. (SBU) Jordan Institute of Standards and Metrology (JISM) Director General Yaseen Khayyat May 31 held a press conference to announce the immediate withdrawal of new passenger cars from the DAMAN program. Khayyat later told Acting Econ/C that the change had been approved by the Prime Minister and was to be effective immediately. (NOTE: The PM's decision was at the behest of the Minister of Industry and Trade, who issued the final directive. END NOTE.) Khayyat noted that used cars would continue to be covered by DAMAN and it appears that only new cars in the current model year would be excluded from DAMAN. Product categories still covered by DAMAN include electrical appliances, electronic devices including cellular telephones and IT equipment, children's toys, and personal protection equipment. (COMMENT: Post will continue to follow up on a number of unresolved issues with what remains of the DAMAN program, such as why a new vehicle is only new in the "model year". END COMMENT.)

¶3. (SBU) Khayyat explained that this was the first in a number of changes to DAMAN that JISM was contemplating. (The changes were driven by a May 24 meeting with Trade Minister Zu'bi, in which Zu'bi commissioned the JISM staff to come up with creative solutions to the trade barrier problem.) Khayyat added that he also explained to the press that DAMAN would be converted to a risk-based system. He claimed that, under the proposed risk-based monitoring system, products would no longer be inspected prior to export from the country of origin, but only upon import and then only in random checks or based on the relative risk (derived from country of origin and other standard criteria) as well as on conformity marks, such as the "UL" mark of U.S.-based Underwriters Laboratories. (NOTE: The Jordan Times was explicit in referring to the U.S. and EU as "low risk" countries in this proposed scheme, a sign that the JISM briefing was on-target and that the final proposed changes will more or less waive most U.S.-origin products from DAMAN's costly and time-consuming bureaucracy, now estimated to take two weeks at best before a U.S. export shipment gets the green light. END NOTE.)

Some New Products

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¶4. (SBU) Khayyat told us that he also noted to the press that under the streamlined inspection system, new products would be covered by the DAMAN program. He has offered baby carriages as one example of the type of product that might be covered, but has emphasized that no final decision has been made on these additions. He stressed privately that every effort was being made to avoid product categories in which American-origin products had traditionally competed in Jordan. (COMMENT: We understand the new products are being added to "compensate" Bureau Veritas for the loss of inspection fees from the removal of new cars under its

sweetheart contract with the GOJ that JISM apparently cannot break. The B.V. contract expires in September 2007; we have been assured that JISM has no intention of renewing that contract. END COMMENT.)

Jordan's New Car Imports From the U.S. Growing

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15. (U) In the three years 2002-2004, Jordan averaged annual car imports from the United States amounting to USD 5.8 million. Last year, imported cars from the U.S. amounted to USD 9.3 million. With the removal of the burdensome DAMAN inspection system and the re-structuring of taxes based on engine size (that disproportionately singled out U.S. cars versus European, Japanese, and Korean competitors), new car imports to Jordan from the U.S. are likely to increase rapidly in the near term.

Comment

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16. (SBU) The announcement on new cars is a breath of fresh air after 19 months of slow-motion action by the GOJ to address USG concerns regarding DAMAN trade barriers that two previous trade ministers said they understood but could not decisively act on. An interagency Embassy team is being invited by JISM to review a concept paper with all of the proposed trade-friendly changes to DAMAN in a meeting on June 19. What is in the fine print and how that translates into action will be key; post will provide an update then. It appears that Minister Zu'bi achieved in one meeting in late May what took other ministers months of letter-writing and hand-wringing. We expect more such rapid changes, especially in investment climate reform, if and when the new government is approved by parliament.

HALE